# Raya Contact Center Reports 1H2017 Results

**Revenues**
**EGP 360.8 MN**
▲ 82.9% y-o-y

**Gross Profit**
**EGP 165.6 MN**
▲ 109.6% y-o-y

**EBITDA**
**EGP 110.2 MN**
▲ 140.1% y-o-y

**Net Profit**
**EGP 81.5 MN**
▲ 311.5% y-o-y

Raya Contact Center (RACC.CA on the Egyptian Exchange), Egypt's largest provider of comprehensive business process outsourcing (BPO) services, announced its consolidated results for the half ending 30 June 2017, reporting revenues of EGP 360.8 million, up an impressive 82.9% y-o-y. The largest contributor to revenues was the outsourcing segment (76%), followed by hosting services (13%) and insourcing services (11%). Net profit for the half jumped more than four-fold to reach EGP 81.5 million in 1H17, compared to 1H16 figure of EGP 19.8 million, and with a net profit margin of 22.6%.

## Summary Income Statement

| EGP | 1H2017 | 1H2016 | % Change | 2Q2017 | 2Q 2016 | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **360,801,481** | **197,272,235** | ***82.90%*** | **186,693,753** | **104,442,207** | ***78.80%*** |
| *Outsourcing* | *273,476,061* | *156,632,605* | *74.60%* | *138,428,704* | *82,182,381* | *68.40%* |
| *Insourcing* | *39,394,489* | *21,624,917* | *82.20%* | *24,237,268* | *12,277,537* | *97.40%* |
| *Hosting* | *47,930,931* | *19,014,713* | *152.10%* | *24,027,781* | *9,982,289* | *140.70%* |
| **Gross Profit** | **165,629,310** | **79,034,318** | ***109.60%*** | **87,810,328** | **41,723,890** | ***110.50%*** |
| *Gross Profit Margin* | *46.00%* | *40.10%* | *5.9 pts* | *47.10%* | *40.00%* | *7.10 pts* |
| **EBITDA** | **110,225,887** | **45,904,785** | ***140.10%*** | **54,534,280** | **21,202,758** | ***157.20%*** |
| *EBITDA Margin* | *30.60%* | *23.30%* | *7.3 pts* | *29.30%* | *20.40%* | *8.9 pts* |
| *Net Debt / EBITDA* | *(3.24)* | *(0.54)* | *(2.70)* | *(6.55)* | *(1.16)* | *(5.40)* |
| **Net Profit** | **81,472,989** | **19,801,350** | ***311.50%*** | **41,270,665** | **11,778,856** | ***250.40%*** |
| *Net Profit Margin* | *22.60%* | *10.10%* | *12.5 pts* | *22.20%* | *11.30%* | *(10.90 pts)* |

# Note from the CEO

Our results for the first half of 2017 clearly demonstrate the ongoing operational and financial strength of our company. We closed the six-month period having delivered a two-fold increase in revenues to EGP 360.8 million, while on a quarterly basis revenues grew 79% y-o-y to EGP 186.7 million. Top-line growth was dual-pronged as we continued to push through with the organic expansion of our business and as we capitalized on our price-competitiveness as uniquely positioned service exporter. In the quarter just ended we were successful in soliciting new business, having grown our client base by 8% q-o-q, and in the process expanded our exposure to existing industries and penetrated new ones on both the local and international scale.

Our efforts are clearly reflected on RCC's revenue composition which is increasingly shifting toward hard-currency sources with over 78% of our top-line in 1H17 being generated from offshore accounts versus 72% in the same period last year. We are also delivering on our stated goal of increasing contributions from foreign markets with our operations in Dubai and Poland together contributing 21% to our top-line in 1H17 up from only 8% in the previous year. In parallel, management is actively working on optimizing our revenue mix as we seek to capture value from higher-margin services and deliver superior profitability.

To that end, RCC expanded its operational capacity with the addition of 359 new workstations year-to-date, allowing the company to better serve demand for the more premium professional and back office offerings while also growing our core contact center services. With just a small shift in revenue mix during 1H17 toward professional and back office service – now constituting 30% of revenues versus 24% in 1H16 – we are already seeing improvements across the board with gross profit climbing 110% y-o-y in 1H17 and recording a six percentage-point expansion in GPM to 46%. Meanwhile, our bottom-line grew more than four-fold in 1H17 and posted a net profit margin of 22.6% compared to 10.10% in the same period last year.

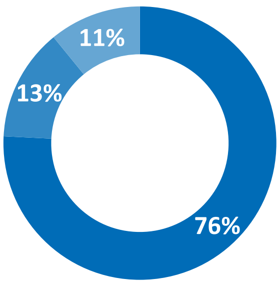
Our strategy to optimize our revenue mix goes hand-in-hand with management's efforts to streamline our expenses and control costs amidst an increasingly inflationary environment. RCC is pushing through increased operational and working capital efficiencies, with our average collection periods retreating and thus minimizing our need for financing at a time when interest rates are on the rise. Management was also successful in managing rental rates with a foreign-currency component particularly as the Egyptian pound lost c.50% of its value, with total rent as a percentage of sales inching down to 8.2% in 1H17 versus 8.4% in the same period last year. And while our EBITDA margin was slightly affected quarter-on-quarter, this came as we retroactively booked 1Q17 rental increases during the second quarter, with the expense and margins set to normalize heading into the second half of the year.

In the months ahead, management will continue to explore regional expansion opportunities as a key pillar of its forward-looking strategy. Our regional expansion drive may take the form of organic opportunities such as the addition of new centers in neighboring geographies, or through inorganic avenues and strategic acquisitions that would complement our service offerings and expand our scale. In parallel, we are actively working to strengthen our infrastructure backbone and putting forward the necessary CAPEX outlays as we gear-up to increase our exposure to professional services and venture into digitized offerings in-line with industry trends. Our service diversification strategy will see us increase our focus on higher-margin non-voice / unassisted channel services., allowing us to continue driving top and bottom-line and maximize shareholder value.

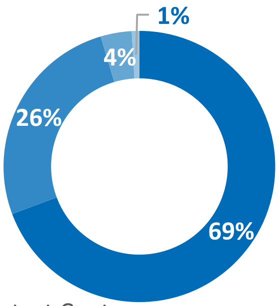
With its strong fundamentals, growth-oriented management and a liquid balance sheet afforded by the successful IPO in 1Q17, RCC is well-positioned to turn a page toward the next chapter of its growth story as a leading provider of business process outsourcing services.

**Reem Asaad**
**Chief Executive Officer**

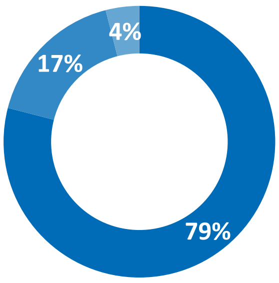
## Revenue by Segment
(1H17)




## Revenue by Service
(1H17)




## Revenue by Geography
(1H17)



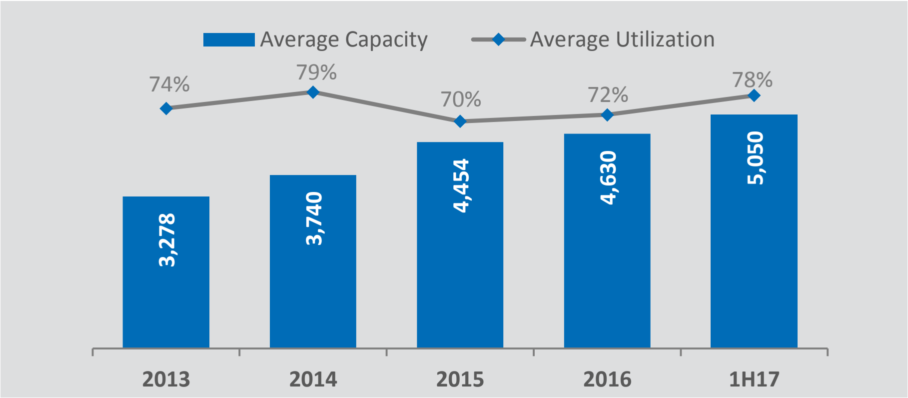

# Operational Review

During the half ended 30 June 2017, RCC added 359 new workstations across its centers, bringing its total capacity to 5,229 compared to 4,870 as at year-end 2016, up 7.4% y-o-y. RCC's total CAPEX as a percentage of sales recorded 6.2% in 1H17 versus 4.4% in the same period last year.

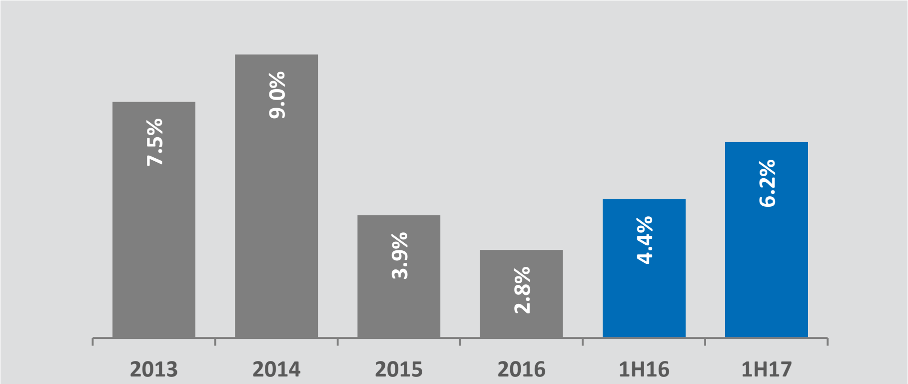
Over 73% of RCC's revenues for the half were generated from clients who have been in contract with the company for over five years, while client retention rate was at a healthy c.90%.

RCC prides itself on the quality, reliability and security of its service, a key competitive strength that is a function of its continued investment in human resources development and quality assurance programs. In 1H17, RCC extended 375,620 hours of training to its employees across its onboarding, ongoing and client-specific programs. In parallel, the company maintained operational quality assurance in compliance with requirements of its accreditation certificates, including the COPC for performance management; the ITIL information technology framework; and the PCI-DSS e-payment security accreditation. Moreover, RCC follows best practices as (ISMS) Information Security Management system, which is mapped by NIST and SANS institute. As well, we have the SOC Audit performed on annual bases.

## Workstation Evolution & Utilization[1]

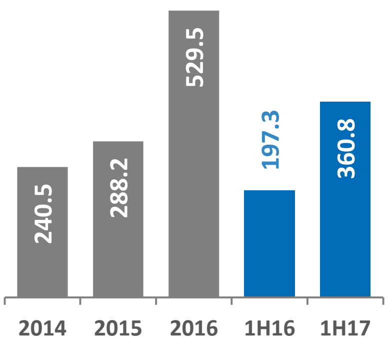



## CAPEX / Sales Ratio

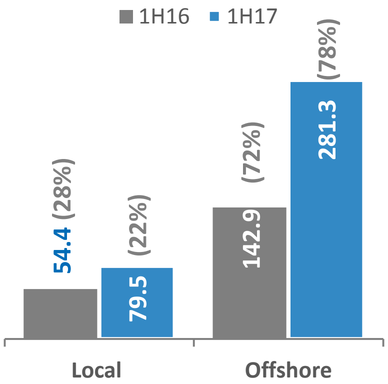



[1] Utilization is calculated as the average productive workstations utilization by the average total workstations

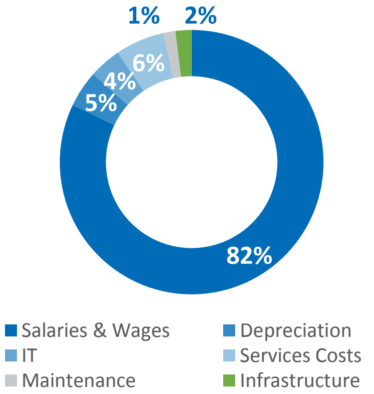
Revenue Progression
(EGP mn)




Revenue Progression by Location
(EGP mn)




COGS Breakdown
(1H17)




# Financial Review

***Consolidated revenues*** in 1H17 recorded EGP 360.8 million, up 82.9% y-o-y driven by both organic growth — securing new clients and increasing services to existing clients — as well as the effect of translating the company's foreign-currency denominated revenue streams onto the company's EGP financials post the float of the Egyptian Pound in November 2016.

The largest contributor to revenue in 1H17 was the outsourcing segment at EGP 273.5 million 76% for which RCC extends the comprehensive suite of BPO services, including contact center services, professional services, back office services and inside sales channel management services. The outsourcing segment was also the largest contributor to revenue growth in absolute terms at 71.5%. Meanwhile contributing 13.3% to total revenues in 1H17, professional services provided by the hosting segment posted EGP 47.9 million and recorded the fastest y-o-y growth of 152.1%. The segment was also the second largest contributor to revenue growth in absolute terms at 17.7%. Professional services insourcing generated revenues of EGP 39.4 million in 1H17, up 82.2% y-o-y and contributing 11% to total revenues for the first half.

Offshore revenues constituted 78% of the total at EGP 281.3 million in 1H17, up around two-fold compared to 1H16 figure of EGP 142.9 million.

At the ***costs of goods sold*** (COGS) level, RCC recorded EGP 196.7 million in 1H17, up 68.4% y-o-y which is a slower rate than revenue growth and comes despite the inflationary pressures on the company's cost base. Constituting the largest share of COGS at 81.9%, employees' salaries and wages recorded EGP 161.0 million in 1H17, up 3.8% compared to 1H2016.

Management's ability to control cost inflation below revenue growth saw it deliver a ***gross profit*** of EGP 165.6 million in 1H17, up an impressive 109.6% y-o-y and yielding a 5.9 percentage-point expansion in gross profit margin to 46.0%.

Meanwhile, the company's ***selling, general and administrative*** (SG&A) expenses recorded a 39.2% y-o-y increase to EGP 37.3 million in 1H17. However, as a percentage of sales, SG&A stood at 10.3% during the first half down from 13.6% in 1H16.

***EBITDA*** for the first half-recorded EGP 110.2 million, up 140.1% y-o-y thanks to a tight rein on operating costs. EBITDA margin consequently recorded a 7.3 percentage-point expansion to 30.6% in 1H17.

The company recorded FX gains of EGP 0.35 million in 1H17, compared to an FX loss of EGP 6.9 million in the same period last year, in-turn supporting the company's bottom-line. ***Net profit*** for the period recorded EGP 81.5 million in 1H17, up more than four-fold compared to the EGP 19.8 million posted in the same period last year, and with a 12.5 percentage-point expansion in net profit margin to 22.6%.

As at the half ended 30 June 2017, the company's financial position remained liquid with a healthy ***cash balance*** of EGP 192.6 million or c.44.5% of total assets due to increasing efficiency of collecting our receivables, and the successful injecting of EGP 100 M capital increase following the completion of our IPO. ***Net debt to EBITDA*** recorded negative 3.24.

## About Raya Contact Center

Raya Contact Center is a world-class business process outsourcing (BPO) and contact center outsourcing (CCO) service provider offering contact center, professional, back office and inside sales channel management services to global clients, including Fortune 1000 companies in the Middle East, Europe, Africa, & North America in over 25 different languages. Raya Contact Center serves its clients from eight-contact center facilities located Egypt, UAE and Poland with over 5,229 seats capacity and 6,437 employee, focusing on high growth industries, namely telecom and media, technology and consumer electronics, travel and hospitality, banking, automotive & retail industries.

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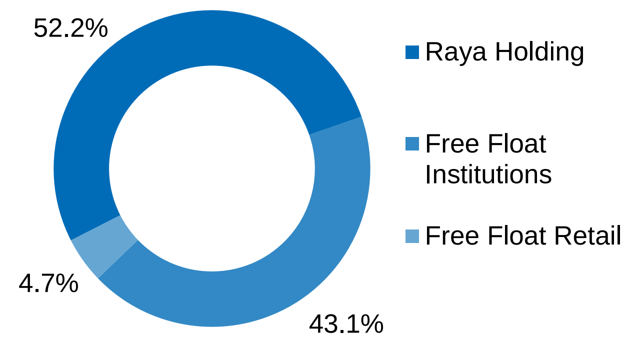
| RACC.CA on the EGX | |
|---|---|
| **Number of Shares** | 100,000,000 |
| **Share Price (28 June '17)** | EGP 16.44 |
| **Market Cap (28 June '17)** | EGP 1,644,000,000 |

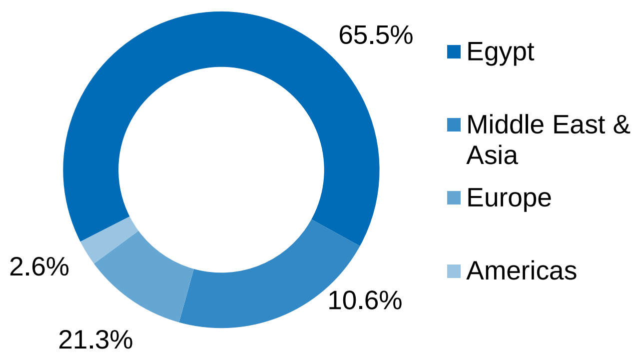
### Shareholding Structure

(as at 28 June, 2017)




### Shareholders by Geography

(as at 28 June, 2017)



# Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management's ("Management") current views of future events, are based on Management's assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management's ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

# Consolidated Income Statement

| EGP | 1H2017 | 1H2016 | *Change* | 2Q 2017 | 2Q 2016 | *Change* |
|---|---|---|---|---|---|---|
| **Sales** | **360,801,481** | **197,272,235** | ***83%*** | **186,693,753** | **104,442,207** | ***79%*** |
| COGS | (195,172,171) | (118,237,917) | *65%* | (98,883,425) | (62,718,317) | *58%* |
| **Gross Profit** | **165,629,310** | **79,034,318** | ***110%*** | **87,810,328** | **41,723,890** | ***110%*** |
| | | | | | | |
| General & Administrative Exp. | (34,742,025) | (25,420,230) | *37%* | (17,986,961) | (14,579,189) | *23%* |
| Selling & Marketing Exp. | (2,516,778) | (1,355,249) | *86%* | (790,974) | (756,698) | *5%* |
| Rent | (29,543,574) | (16,530,503) | *79%* | (19,237,045) | (9,277,871) | *107%* |
| Impairments | (650,949) | (1,614,286) | *(60%)* | (530,263) | (1,033,668) | *(49%)* |
| Impairments Reversal | 2,708,531 | 559,017 | *385%* | 200,292 | 184,734 | *8%* |
| **Operating Profit** | **100,884,515** | **34,673,067** | ***191%*** | **49,465,377** | **16,261,198** | ***204%*** |
| | | | | | | |
| Interest Income (Expense) | 1,871,416 | (1,030,773) | *(282%)* | 2,592,093 | (668,999) | *(487%)* |
| Gain on Sale of Fixed Assets | - | (778) | | - | 4,500 | |
| FX Gain (Loss) | 350,849 | (6,982,616) | *(105%)* | (445,495) | (40,822) | *991%* |
| **EBT** | **103,106,780** | **26,658,900** | ***287%*** | **51,611,975** | **15,555,877** | ***232%*** |
| | | | | | | |
| **Tax** | (21,633,791) | (6,857,550) | *215%* | (10,341,310) | (3,777,021) | *174%* |
| **Net Income** | **81,472,989** | **19,801,350** | ***311%*** | **41,270,665** | **11,778,856** | ***250%*** |
| | | | | | | |
| Distributed as follows: | | | | | | |
| Shareholders of the Parent Company | 80,908,193 | 19,631,915 | *312%* | 40,978,726 | 11,666,785 | *251%* |
| Minority Interest | 564,796 | 169,435 | *233%* | 291,939 | 112,071 | *160%* |
| **Earnings Per Share** | **0.69** | **0.16** | ***331%*** | **0.35** | **0.10** | ***250%*** |

# Consolidated Balance Sheet

| | 30-Jun-17 | 31-Dec-16 |
|---|---|---|
| **Assets** | | |
| **Long Term Assets** | | |
| Fixed Assets | 43,532,316 | 30,621,052 |
| Intangible Assets | 122,642 | 135,648 |
| Deferred Tax Asset | 1,672,848 | 2,795,682 |
| Goodwill | 26,582,777 | 26,582,777 |
| **Total Long term Assets** | **71,910,583** | **60,135,159** |
| | | |
| **Current Assets** | | |
| Accounts Receivables | 128,043,345 | 135,888,406 |
| Advance Payment & Other Debit Balances | 39,913,821 | 20,087,774 |
| Due from Related Parties | 528,204 | 62,811,936 |
| Cash & Cash Equivalents | 192,631,922 | 25,997,450 |
| **Total Current Assets** | **361,117,292** | **244,785,566** |
| **Total Assets** | **433,027,875** | **304,920,725** |
| | | |
| **Equity** | | |
| Issued and Paid Capital | 50,000,000 | 50,000,000 |
| Under Capital Increase | 100,000,000 | - |
| Legal Reserve | 9,397,510 | 4,545,130 |
| Merger Reserves | (2,834,374) | (2,834,374) |
| FX Translation Reserve | 10,238,030 | 11,166,995 |
| Retained Earnings | 29,596,331 | (2,042,322) |
| Net Income Attributable to Majority Owners | 80,908,193 | 117,847,635 |
| **Total Parent's Shareholders' Equity** | **277,305,690** | **178,683,064** |
| Minority Interest | 885,407 | 899,901 |
| **Total Equity** | **278,191,097** | **179,582,965** |
| | | |
| **Liabilities** | | |
| **Long Term Liabilities** | | |
| Deferred Tax Liability | 214,817 | - |
| Other long term Liabilities | 2,307,645 | 1,385,714 |
| **Total long term Liabilities** | **2,522,462** | **1,385,714** |
| | | |
| **Current Liabilities** | | |
| Bank Overdraft & Short Term loans | 3,665,330 | 1,299,531 |
| Accounts Payable | 68,666,268 | 43,402,556 |
| Other Credit balance | 53,250,728 | 40,657,086 |
| Provisions | 1,914,977 | 1,914,977 |
| Due to Related Parties | 620,662 | - |
| Taxes Payable | 17,343,048 | 36,365,628 |
| Dividends Payable | 6,853,303 | 312,268 |
| **Total Current Liabilities** | **152,314,316** | **123,952,046** |
| **Total Liabilities** | **154,836,778** | **125,337,760** |
| **Total Liabilities & Equity** | **433,027,875** | **304,920,725** |